

PRESS RELEASE

3 November 2009

CCS Fines 16 Coach Operators and Association \$1.69 Million For Price-Fixing

1. The Competition Commission of Singapore (CCS) has today decided that 16 coach operators and their trade association¹, the Express Bus Agencies Association (EBAA), had engaged in price-fixing² of coach tickets.
2. CCS' investigations revealed that the coach operators, together with the EBAA, had agreed to fix the prices of coach tickets for travelling between Singapore and destinations in Malaysia from 2006 to 2008. Through meetings arranged regularly under the auspices of EBAA, the coach operators agreed to fix the coach prices in two ways:
 - Minimum Selling Prices (MSP) of the coach tickets sold. As a result, these coach operators adjusted ticket prices to either at or above the MSP, resulting in higher ticket prices.
 - Fuel & Insurance Charges³ (FIC) imposed across the board to mark up ticket prices. The FIC was revised upwards on various occasions after it was implemented.
3. During this period, it is estimated that the coach operators pocketed over S\$3,650,000⁴ (S\$3.65 million) from the sale of the FIC.

¹ **List of Parties Involved:** Alisan (S) Pte Ltd, Express Bus Agencies Association (EBAA), Enjoy Holiday Tour Pte Ltd, Five Stars Tours Pte Ltd, GR Travel Pte Ltd, Grassland Express & Tours Pte Ltd, Gunung Raya Travel Pte Ltd, Konsortium Express & Tours Pte Ltd, Lapan Lapan Travel Pte Ltd, Luxury Tours & Travel Pte Ltd, Nam Ho Travel Service (Singapore) Pte Ltd, Regent Star Travel Pte Ltd, Sri Maju Tours & Travel, T & L Tours Pte Ltd, Transtar Travel Pte Ltd, Travelzone Network Services Pte Ltd, WTS Travel & Tours Pte Ltd.

² "Price-fixing" refers to the bus operators directly agreeing to increase or maintain prices.

³ AIG sells insurance coverage on a per passenger basis to EBAA. The FIC includes this and a fuel component.

⁴ \$3.65 million represents the estimated revenue made by the EBAA members from the sale of the FIC coupons to their customers minus the cost they paid for the coupons to EBAA.

Minimum Selling Prices

4. CCS' investigations revealed that there was an agreement reached on 1 June 2005 by the Executive Committee⁵ of EBAA to fix coach ticket prices to various destinations in Malaysia. This agreement continued after 1 January 2006, when the Competition Act came into effect in Singapore. The interviews revealed that the introduction of the MSP was premised on an intention to prevent any price war and minimise any slashing of coach ticket prices amongst competitors. Before the introduction of the MSP, the EBAA members were selling coach tickets at various prices, in particular, lower prices. As an example, the MSP was first fixed at \$25 for one-way coach tickets to Kuala Lumpur. Most of the EBAA members were then selling their tickets at \$20 or \$23.
5. At the last revision of the MSP made on 4 March 2006, the parties decided to increase the MSP of one-way bus tickets as follows:

<i>Singapore to Melaka</i>	\$22
<i>Singapore to KL</i>	\$29
<i>Singapore to Genting</i>	\$35
<i>Singapore to Ipoh</i>	\$36
<i>Singapore to Simpang/Taipang</i>	\$37
<i>Singapore to B'Worth/Penang</i>	\$39

Fuel & Insurance Charges

6. Having established a price floor via the MSP, subsequent price increases were undertaken via the mechanism of the FIC, which was started in 2005 and revised in 2007 and 2008. In particular, in 2007, EBAA members initiated higher insurance coverage from its insurer AIG as part of its justification to increase the FIC prices. Such fixing of FIC prices ceased when CCS started its investigations. Table 1 on the next page shows that the mark-ups by EBAA members on the FIC were at least 300%.

⁵ Parties involved in MSP include: Alisan, Enjoy, Five Stars, GR Travel, Grassland, Gunung Raya, Konsortium, Regent Star, Sri Maju and Transtar.

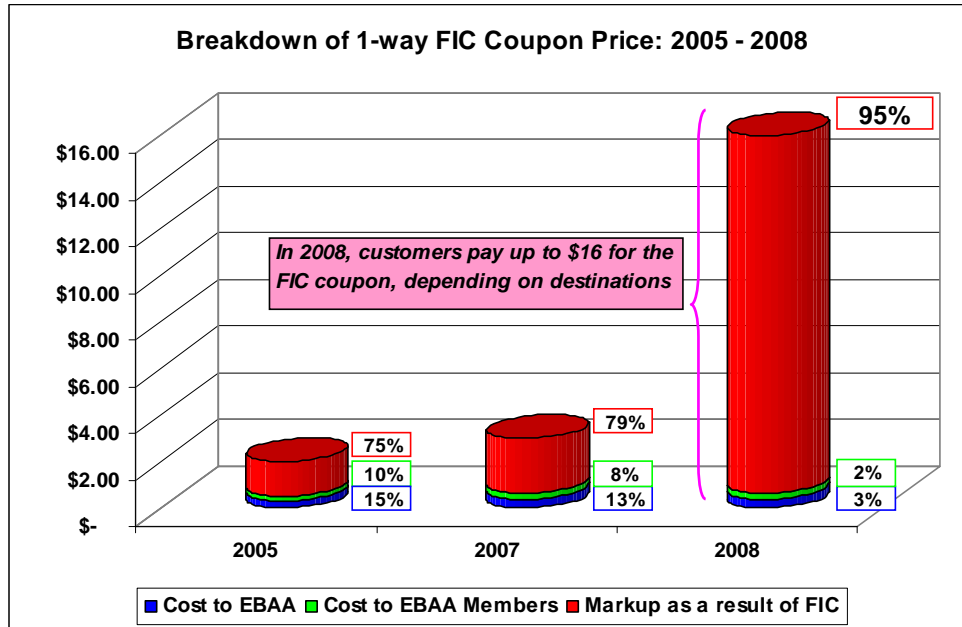
TABLE 1: Overview of FIC coupon costs and charges by EBAA and the coach operators

SALE OF FUEL & INSURANCE CHARGES (FIC) (1-way trip)				
Date	AIG sale price to EBAA	EBAA sale price to Members/Coach Operators	Coach operators' sale price to passengers for trips to Kuala Lumpur	Coach operators' sale price to passengers for trips to Genting
November 2005	\$0.30	\$0.50 (Mark-up = \$0.20 or 67%)	\$2.00 (Mark-up = \$1.50 or 300%)	
December 2007 (1 st Revision)	\$0.40	\$0.65 (Mark-up = \$0.25 or 63%)	\$3.00 (Mark-up = \$2.35 or 362%)	
June 2008 (2 nd Revision)	\$0.40	\$0.65 (Mark-up = \$0.25 or 63%)	\$8.00 (Mark-up = \$7.35)	\$9.00 (Mark-up = \$8.35)

7. The FIC increases were accompanied by “authorization letters”⁶ issued by the EBAA, which gave the impression that such increases were fully justified. EBAA also adopted a rebate system which purpose was to track the sales of FIC coupons and encourage sales of the FIC coupons, thereby generating more profits.
8. Chart A shows a breakdown of the price of a one-way FIC coupon in terms of the:
 - cost to EBAA to purchase the coupon from AIG;
 - cost to the coach operators to purchase the coupon from EBAA; and
 - cost to the customers.

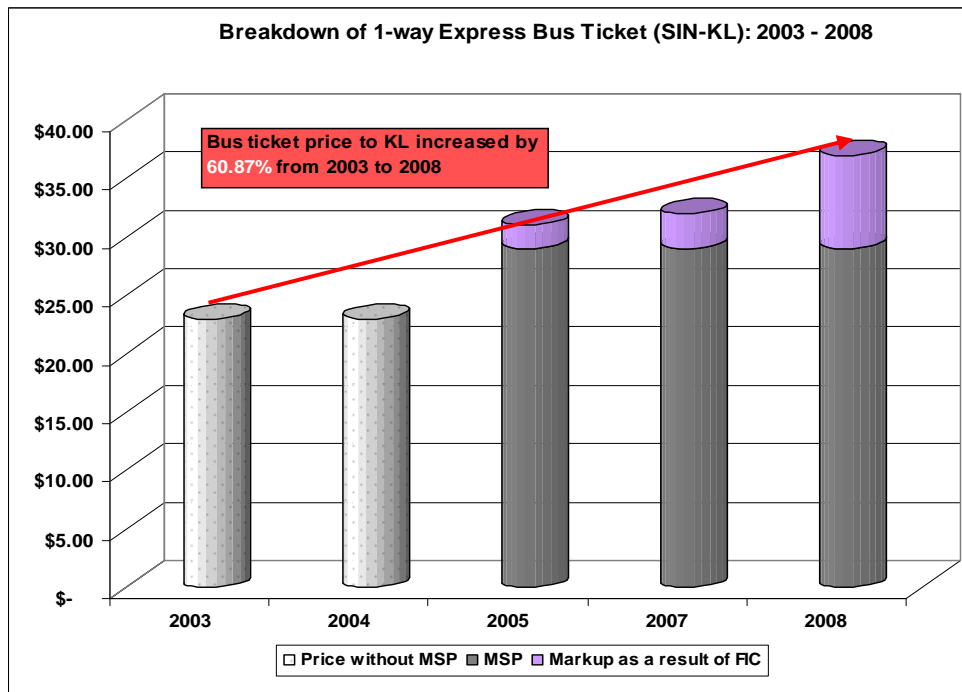
⁶ See Appendix A for sample of the authorization letter

CHART A



9. Chart B illustrates an example of how coach tickets became more expensive as a result of the MSP and the FIC agreements for one-way express coach tickets to Kuala Lumpur.

CHART B



10. Mr Teo Eng Cheong, Chief Executive of CCS, said: “Our investigations show clearly that the 16 companies and the association colluded to fix prices. Instead of stopping the collusion, the association, EBAA, facilitated the price fixing through its regular meetings and a rebate system to encourage the sale of FIC coupons.”
11. Mr Teo also said, “When faced with cost increases, businesses should aim to improve productivity or innovate so as to maintain their profitability without increasing prices. Instead, these coach operators took the easier path. They colluded to increase prices and passed on their costs to consumers. Consumers therefore bore the brunt of the cost increases.”
12. CCS started investigations in June 2008, and on 16 June 2009 issued a proposed infringement decision to the coach operators giving them six weeks to respond. CCS has taken into consideration the representations by the coach operators. CCS finds the MSP and FIC agreements to have infringed Section 34 of the Competition Act.
13. The financial penalties levied on the 17 infringing parties totalled \$1.69 million (see Annex A for the breakdown of penalties for each party). In fixing the appropriate amount of financial penalty, CCS took into account a number of factors, including the nature and structure of the market, market shares of the parties involved in the infringement and the impact and effect of the infringement.
14. Further information on CCS’ investigation, analysis of the case and the basis for the calculation of the financial penalty imposed on the infringing parties are set out in the Infringement Decision (ID) and the document is available on website www.casebank.ccs.gov.sg .
15. As part of the follow-up from the issuing of CCS’ infringement decision, CCS in conjunction with the Singapore Business Federation (SBF) will jointly organize a workshop on 2 December 2009 to educate businesses on the dos and don’ts of the Competition Act. Details on the seminar and registration are available on the case website: www.casebank.ccs.gov.sg .

ANNEX A

CCS imposes, pursuant to section 69(2)(d) of the Act, the following financial penalties on the Parties:

Party	Financial Penalty
Alisan	S\$10,807
EBAA	S\$10,000
Enjoy	S\$23,425
Five Stars	S\$450,207
GR Travel	S\$52,432
Grassland	S\$27,706
Gunung Raya	S\$76,668
Konsortium	S\$337,635
Lapan Lapan	S\$10,000
Luxury	S\$10,000
Nam Ho	S\$10,000
Regent Star	S\$103,875
Sri Maju	S\$24,600
T&L	S\$10,000
Transtar	S\$518,167
Travelzone	S\$10,000
WTS	S\$13,611
Total	S\$1,699,133

About the Competition Commission of Singapore

CCS is a statutory body established under the Act on 1 January 2005 to administer and enforce the Act. The Act empowers CCS to investigate alleged anti-competitive activities, determine if such activities infringe the Act and impose suitable remedies, directions and financial penalties. For more information, visit www.ccs.gov.sg.

For media clarification, please contact:

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Appendix A



Express Bus Agencies Association

1st December 2007

(Company Name), a member of the Express Bus Agencies Association (EBAA), will apply the Fuel & Insurance Charge (FIC) surcharges to defray the increased operational fuel costs, with effect from **1st December 2007**.

The charges are as follows:

S\$3.00* One-way trip: Single trip from Singapore to West Malaysia & Hatyai, Thailand or vice versa

S\$5.00* Two-way trip: Round trip to West Malaysia & Hatyai, Thailand

* Inclusive of insurance coverage underwritten by AIG (please refer to the reverse page of the coupon)

We thank you for your understanding and kind support.

By order,
Management Committee, EBAA

此家快车与旅游公司，为快车代理商协会会员之一，将由即日起开始征收燃油附加与乘客保险费 (FIC) 以缓和原油和成本的上涨。

FIC 收费如下： -

新币 3 元* 单程：新加坡至西马各地以及泰国合艾或往返

新币 5 元* 双程：新加坡往返西马各地以及泰国合艾

*包括 AIG 提供之旅途保险（请参阅固本后页）

谢谢大家的谅解与支持。

谨此